The Bank of the United States was badly managed during the first years of its existence and in the summer of iSiS was upon the verge of insolvency. The bank began business January 7, 1817, and violated its charter from the outset. The proportion of specie required to be paid in on the second and third instalments was not paid and the bank loaned money to stockholders on the pledge of their stock and personal notes. Trading in shares before they were paid for pushed up the quotations and the bank loaned on the increased value when other nominal security was furnished in the form of mutual indorsements. The Baltimore branch was practically wrecked by its managers, with a loss of $1,671,221. The policy adopted for restoring specie payments was also defective. An arrangement was made with the leading banks of New York, Philadelphia, and Richmond for the resumption of specie payments by them on February 20, 1817. The public deposits in these banks, which the government had been unwilling to accept in depreciated bank paper, were to be transferred to the Bank of the United States, but checks on the State banks which were parties to the agreement received by the Bank of the United States were to be credited as cash. Arrangements were also made for liberal discounts by the new bank, in order to relieve the local banks from the commercial pressure.

These features of the resumption policy were not subject to criticism and $7,472,419 in public funds and $3,336,491 in special deposits were transferred from the State banks to the

the United States. The national banks created under the Act of June 3, 1864, for many years availed themselves of this condition to have as large a proportion of their reserves as possible in United States notes at the times when their property became subject to assessment for taxation under State laws. This practice led to an act of Congress in 1894, authorizing the States to tax such notes at the same rate as other money. It was long held that the instruments of State sovereignty were exempt from Federal taxation upon the same grounds that the instruments of Federal sovereignty were exempt from State taxation, but this view was overruled in regard to the circulating notes of State banks in the case of Veazie Bank *vs.* Fenno, 8 Wall., 533. See Kent, L, 429, note.